



Investment Commentary by Roger Nightingale

Where Law ends, Tyranny begins.

Pitt, the Elder. But politicians are usually the first to ignore the precept.

18th June 2010

The Law may be a dopey
ass . . .

It's a feature of civilised societies that issues of guilt and innocence are decided by due process, not lynch mobs. Does the US qualify? Not recently. Its handling of the oil spillage in the Gulf of Mexico has been positively barbaric.

. . . but that's preferable
to a mad dog.

The case against BP has been prosecuted by politicians on the hustings, not lawyers in the courts. And who can condone the role of the media, baying for blood rather than justice? The standards of Television's anchormen have slipped. They've modelled themselves, not on Plato's *philosopher-kings*, but Robespierre's *tricoteuses*!

Why is Obama barking?

Does the President, a law student first at Chicago and then Harvard, see nothing amiss? Or does he just not care? Does he think that, with mid-term elections approaching, natural justice can be sacrificed to political expediency? Probably. His poll ratings are not good; he risks being a one-term wonder. It's essential, he thinks, to be seen to empathise with voters in the Gulf.

Political advantage is a
two-edged sword.

The problem is that precedent is set by bad practice as much as by good. If one company can be destroyed by political venality, so can another. Should the circumstances surrounding the Bhopal disaster be resurrected, for instance? Should Dow Chemical, the owner of the Union Carbide inheritance, be pilloried by the Indian media? Bankrupted to boost the electoral standing of local politicians?

It could easily be turned
against the US.

And what of Goldman Sachs? Its behaviour in Britain in 2007 might be deemed to have been worse than BP's in the Gulf in 2010; its consequences for residents graver; its executives' motivations more culpable. But should British politicians pre-judge the issue? Should Surrey County Council demand the deposit of \$20 bns in an escrow account in advance of a trial? Hmph!

The economy, unperturbed, marches to a cyclical beat.

The economics news, meanwhile, is not good. The recovery, anaemic hitherto, seems now to be fading. Americans are scaling down their estimates for the current year and so, of course, are Europeans. The Japanese haven't done so officially, but the decision by the BOJ to extend the monetary stimulus speaks volumes about expectations.

Activity everywhere is slowing.

In China too, supposedly an unstoppable behemoth, all is not as the authorities would it to be. Last year's fiscal stimulus was successful in bringing forward a number of projects and boosting the demand for labour. But the future is not so rosy. There had been a hope that activity by now would be self-sustaining: it isn't.

China's included.

Can more projects be devised? The fiscal circle squared, and pay claims stabilised? Possibly not. Indeed, there's a risk that activity fall sharply, property valuations crash and unemployment soar. Beijing's understandably worried.

And Britain's.

Britain hasn't been immune to the trend. The GDP numbers for last year will probably be lifted again, but the forecasts for the next few may be lowered. Chancellor Osborne is having to redo his sums. He's said to be considering swingeing tax hikes to keep the deficit under control.

Will Osborne demonstrate imagination? Probably not.

Wrong decision! He should cut spending *and* taxation. He should aim for growth and ignore debt. Foreign direct investment is the key. If re-stimulated, the deficit will resolve itself; if not, nearly everything will deteriorate! Security valuations will probably creep ahead whatever the Chancellor does. But, if the economy were sounder, the advances would be more sustainable.

The facts and opinions contained within this newsletter have been provided by Roger Nightingale; Buckles Investment Services do not take any responsibility for the contents.

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